



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 25, 2012 REPORT NO:

ATTENTION: Honorable Rules Committee Chairman Tony Young and Rules Committee Members

SUBJECT: IBA's Recommended Managed Competition Process Improvements

REFERENCE: IBA Report Number 12-01

REQUESTED ACTION: Consideration of Staff's Responses

STAFF RECOMMENDATION: Consideration of Staff's Responses

SUMMARY: The Independent Budget Analyst has provided recommendations for improvements related to the managed competition process in IBA Report Number 12-01. Below is a listing of those recommendations and staff's responses to each.

1. Request staff to provide a five-year history for all performance measures specified in the PSOWs.

Response: We would be willing to provide for context any performance measure data that is readily available for functions we bring forward to Rules Committee for consideration for the years displayed in the current budget book as well as additional historical data, if it is readily available. We would note, however, that per the Managed Competition Guide adopted by Council, "the service levels will be based on the current status and/or what the City is required to perform per existing Ordinance." Therefore, we would caution that the information that the Managed Competition Guide contemplated as a subject for Council consideration in approving a preliminary statement of work is the current service status, not the historical one.

2. Request staff to provide a five-year budget history for the managed competition function under consideration.

Response: As stated in #1, the Managed Competition Guide requires that the Council's service level determination be based on the current status or what is required under the existing, not prior, ordinances. Staff also considers current budget information for managed competition functions to be procurement-sensitive during the competition, as public disclosure of current budgets and/or staffing levels could give an unfair advantage to independent contractors that may bid against the employee proposal

team. As a practical matter, it would also be quite difficult to provide reliable historical budget information for most functions for two reasons: 1) the competed functions are rarely discrete entities in the City's budget. Staff and operating expenses usually have to be manually adjusted to estimate the portion of a budgeted entity that represents the competed functions. Those estimates become progressively more difficult to make when reflecting back on activities years ago; and 2) the requested five years of history also reaches back before the current SAP system was implemented, and we have limited ability to extract that legacy information and adjust for the accounting structure changes made when SAP was implemented. For those reasons, the provision of historical budget information for competed functions can only be provided to the extent the information is reasonably available, reliable estimates can be made, and on a confidential basis to the IBA until competitions and associated negotiations and protests are concluded.

3. Ensure that a corresponding service level is provided for each service area described in the PSOW.

Response: Agreed

4. If current services are performed below budgeted expectations, anomalies that could be causing this should be evaluated (e.g., hiring freezes; unusually high vacancies; major equipment breakdowns) when defining existing service levels.

Response: Agreed. The effects of these anomalies are usually mitigated by the current practice of reporting performance levels over an entire year, rather than just "snapshots" of the most recent performance levels. However, even annual performance levels can be subject to anomalies and these should be taken into account.

5. For all functions involved in managed competition, include in the proposed and final budget documents all performance measures that were specified in the PSOW/RFP and data for the prior year, current year, and next year's targets.

Response: Agreed

6. Request the City Attorney's Office to clarify the process for potentially increasing service levels in the future, should the Mayor or Council so desire, within the parameters of managed competition, labor matters, and the City's budget process.

Response: The City Attorney's Office will respond via a separate memo.

FISCAL CONSIDERATIONS: Providing the additional information will require additional staff time. That could lengthen the time needed to prepare preliminary statements of work for Council review, which could then delay the time by which the competitions could be concluded and any cost savings are realized. Since the amount of time is dependent upon the quality and availability of the needed data, which will vary according to the functions being competed, we can not provide a reliable estimate of these staff costs and delayed competition savings.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: The IBA presented these recommendations at the Council's meeting on December 6, 2011.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None

KEY STAKEHOLDERS AND PROJECTED IMPACTS: The stakeholders would be the departments impacted by the functions being competed, the labor organizations representing those employees, and the taxpayers. The projected impacts are related to the delays that would be anticipated in preparing the requested information.



Business Office
Originating Department



Wally Hill
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